

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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June 24, 2003

FROM: CAROL L. ANSELM, Assistant County Administrator
Human Services System

SUBJECT: HEALTH REALIGNMENT (AAE-HCC) ADJUSTMENT TO FY 02-03 FINAL
BUDGET

RECOMMENDATION: Authorize the Auditor Controller to increase appropriations and revenue by \$8,000,000 within the Health Realignment budget (AAE-HCC) for FY 2002-03. (Four votes required).

BACKGROUND INFORMATION: Citing cash flow problems, the State has disbursed only a portion of the fiscal year SB 855 allocation to participating hospitals over the past two years. Through this funding mechanism, federal funds are passed through the State to provide supplemental payments to hospitals that serve a disproportionate number of low-income patients.

Arrowhead Regional Medical Center (ARMC) will receive 70% (\$18.7 million) of its FY 02-03 allocation this month with the remaining amount (\$8.0 million) to be received later in the year. To preclude resulting cash flow interruptions at ARMC, it is recommended that the Board of Supervisors increase appropriations and revenue in the Health Realignment fund to allow a transfer of funds to ARMC.

In June 2002, the Board of Supervisors adopted the FY 02-03 Final County Budget, which included Health Realignment. The Health Realignment budget funds the following programs: local health services (including AB 8 services designated following passage of Proposition 13), medically indigent services, and the county medical services program. The adopted budget for FY02-03 reflects the expenditures necessary to fund these programs. However, in instances where ARMC does not receive its complete allocation of SB 855 revenue, funds from Health Realignment are advanced to ARMC to preclude a negative cash flow at the end of the fiscal year.

This funding advance will be accrued as a receivable in the Health Realignment budget at the end of the fiscal year and ARMC will accrue a corresponding liability. The advance will be fully repaid at the beginning of FY 03-04 when SB 855 revenues are received from the state.

REVIEW BY OTHERS: This agenda item has been reviewed by County Counsel (Charles Larking, Deputy County Counsel) on June 11, 2003, Arrowhead Regional Medical Center (Mark Uffer, Hospital Director) on June 17, 2003, and County Administrative Office (Bea Valdez, Administrative Analyst) on June 10, 2003.

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**BOARD OF SUPERVISORS
HEALTH REALIGNMENT (AAE-HCC) ADJUSTMENT TO 02-03 FINAL BUDGET**

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FINANCIAL IMPACT: No additional local cost is required. All costs associated with this item will be covered by appropriating a portion of the fund balance reserve from the Health Realignment fund. Furthermore, these funds will be reimbursed to the Health Realignment fund at the beginning of Fiscal Year 2003-04. Following this action, the Health Realignment fund balance will total approximately \$26,730,659.

Authorize the Auditor Controller to make the following adjustments:

APPROPRIATIONS

<u>FUND</u>	<u>DEPT</u>	<u>ORG</u>	<u>APP</u>	<u>OBJ</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
Operating Transfers Out						
AAE	HCC	HCC	530	5030	Operating transfer out	<u>\$8,000,000</u>
Total Appropriations						\$8,000,000

REVENUE

<u>FUND</u>	<u>DEPT</u>	<u>ORG</u>	<u>OBJ</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
AAE	HCC	HCC	8700	Realignment	<u>\$8,000,000</u>
Total Revenue					\$8,000,000

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item and recommends approval based on the fact that the action is a routine year-end budgetary action, will be fully reimbursed by SB 855 funding, and results in no additional local cost.

SUPERVISORIAL DISTRICT(S): All

PRESENTER: Carol L. Anselmi, Assistant County Administrator, Human Services System,
387-4764

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